

## Message Text

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ACTION EA-07

INFO OCT-01 SS-14 ISO-00 SP-02 INR-10 EB-03 SAJ-01 SAM-01

NSC-07 NSCE-00 CIAE-00 DRC-01 RSC-01 /048 W

----- 035824

R 080750Z OCT 74

FM USLO PEKING

TO AMEMBASSY MANILA

INFO SECSTATE WASHDC 2515

AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1743

LIMDIS

E.O. 11652: GDS

TAGS: ETRD, RP, CH

SUBJECT: PHILIPPINE-CHINESE BARTER ARRANGEMENT

REF: MANILA 12015

1. YOU MAY FIND THE FOLLOWING INFORMATION USEFUL IN  
YOUR CONVERSATIONS WITH PHILIPPINE OFFICIALS.

2. WHILE THE CHINESE SHOWING CONSIDERABLE FLEXIBILITY IN  
ARRANGING THEIR COMMERCE WITH DIFFERENT COUNTRIES, THEY GENERALLY  
DO NOT ENGAGE IN BARTER TRADE AND PREFER NORMAL CASH PAYMENT  
ARRANGEMENTS. ONE EXCEPTION IS THE ANNUAL RICE-RUBBER BARTER  
AGREEMENTS WHICH THE PRC SIGNS WITH SRI LANKA, AN ARRANGEMENT WHICH  
HAS A HISTORY DATING BACK TO THE EARLY 1950S. ANOTHER EXCEPTION IS  
PRC TRADE WITH COMMUNIST PARTNERS WHERE THERE ARE ANNUAL BALANCED  
TARGETS, BUT EVEN IN THOS CLEARING TYPE ARRANGEMENTS THERE ARE  
OCCASIONALLY PROVISIONS FOR SETTLEMENT OF IMBALANCES IN CASH.

3. IN DEALINGS WITH OTHER COUNTRIES, INCLUDING THOSE OF THE  
"THIRD WORLD", THE CHINESE PREFER TO KEEP THEIR TRADE ON A  
HARD CURRENCY BASIS, UNLESS AN AID PROGRAM IS INVOLVED. THIS AVOIDS  
THE COMPLICATED NECESSITY OF BALANCING TRADE EVERY YEAR AND SAVES  
CHINA FROM HAVING TO ACCEPT PAYMENT IN KIND, OFTEN IN PRODUCTS IT  
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MAY NOT WANT.

4. SINCE, AS WE UNDERSTAND IT, THE CHINESE AND FILIPINOS ENVISAGE A CONTINUALLY RISING TRADE IN PRC PETROLEUM, WE SUSPECT THE PRC WOULD WANT TO AVOID COMMITTING ITSELF TO A CONTINUING EXPANSION OF IMPORTS FROM THE PHILIPPINES IN ORDER TO KEEP THE TRADE IN BALANCE. DURING THE COMING TALKS, HOWEVER, WE WOULD GUESS THAT THE CHINESE WILL FOLLOW THROUGH ON THEIR EXPRESSIONS OF INTEREST IN SUGAR

COCONUT OIL AND SOME WOOD PRODUCTS, AND THAT INITIALLY THEIR LEVEL OF PURCHASING MAY APPROXIMATE THAT OF THE OIL SOLD TO THE PHILIPPINES. BUT WE THINK IT UNLIKELY THAT A PRECISE BALANCE WOULD BE STRUCK, AND WE WOULD EXPECT THEY WILL WANT EACH CONTRACT TO BE SETTLED SEPARATELY, IN HARD CURRENCY.  
HOLDRIDGE

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## Message Attributes

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